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FACTORS INFLUENCING CONSUMERS' SATISFACTION TOWARDS E-BANKING SYSTEM IN MALACCA

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DECLARATION

I hereby declare that the report has been prepared by my own self except the summaries and citation that I have been clarify the resource.

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DEDICATION

I would like to dedicate this work to my dearly loved parents, who have shown me various supports such as moral and financial support, encouraged me and taught me that even the largest task can be accomplished if it is done one step at a time. It is also dedicated to my friends, who have encouraged and support me throughout completing this work.

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ABSTRACT

E-banking is an essential distribution channel in banking industry of a development country. Although the range of services provided by banks over the electronic channel varies widely in content, this form of banking is generally referred to as electronic banking (Azouzi, 2009). In this research, researcher is interested to indentify the factors influencing consumers' satisfaction towards e-banking system in Malacca. Hence, researcher finds out five factors which included security, convenience, trust, responsibility, and accessibility with consumers' satisfaction towards e-banking system. Moreover, total of 200 e-banking users whose age are 18 and above in Malacca are be respondents in this research by carried out the survey questionnaire. The result of statistical analyses is analyzed by using Statistical Package for the Social Sciences (SPSS) software. Few analyses were conducted to examine the factors that influence consumers' satisfaction towards e-banking system. Thus, Pearson's Correlation Test, and Multiple Linear Regression for inferential analysis are used to test the hypothesis in this research project. Last but not least, the major findings are shown in the discussion. It can be concluded that there is significant impact between three independent variables (convenience, trust, and accessibility) with the dependent variables (consumers' satisfaction towards e-banking system). The findings of this study can enhance the current knowledge level for future researches that intend to conduct further researches on similar areas.

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ABSTRAK

E-banking merupakan saluran pengedaran yang penting dalam industri perbankan negara pembangunan. Walaupun pelbagai perkhidmatan yang disediakan oleh bank-bank melalui saluran elektronik adalah berbeza-beza dalam kandungan, ini bentuk perbankan umumnya disebut perbankan elektronik (Azouzi, 2009). Dalam kajian ini, penyelidik bertujuan untuk mengenal pasti faktor-faktor yang mempengaruhi kepuasan pengguna terhadap sistem e-banking di Melaka. Oleh itu, penyelidik mendapati lima faktor yang termasuk keselamatan, keselesaan, amanah, tanggungjawab, dan akses yang boleh mempengaruhi kepuasan pengguna terhadap sistem e-banking. Maka, seramai 200 orang pengguna e-banking yang berumur 18 dan ke atas di Melaka telah terlibat dalam soal selidik kajian ini. Hasil analisis statistik yang telah dianalisis dengan menggunakan Pakej Statistik untuk Sains Sosial perisian (SPSS). Beberapa analisis telah dijalankan untuk mengkaji faktor-faktor yang mempengaruhi kepuasan pengguna terhadap sistem e-banking. Oleh itu, penyelidikan ini telah menggunakan korelasi Pearson Ujian,dan Regresi Linear Berganda Regresi untuk menganalisis inferensi dan menguji hipotesis. Selepas menjalankan analisi melalui SPSS, ini dapat disimpulkan bahawa tiga daripada lima faktor iaitu keselesaan, amanah, dan akses telah menunjukkan secara positif berkaitan dengan kepuasan pengguna terhadap sistem e-banking. Hasil kajian ini dapat membantu penyelidik pada masa hadapan untuk meningkatkan tahap pengetahuan semasa yang berhasrat untuk menjalankan kajian lanjut yang mengenai kawasan yang sama.

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CHAPTER 1

RESEARCH OVERVIEW

1.0 Introduction

This paper is assign to investigate about the factors that influence consumers' satisfaction towards e-banking system in Malacca. This chapter includes several part of study. The first part of study is research background and this part is discussing overall environment and trends of internet banking in banking industry. The second part is problem statement which explaining the importance and the foundation of study. Next, there are four specific objectives of this study which are stated in the research objectives. The next part of study is research questions. The questions are stating how the factors can influence the consumers' satisfaction to use electronic banking in consumer view. This is continued by part of research hypothesis, scope and key assumptions of the study, limitation of study and significance of the study that explain the important and contribution of the research. Lastly, the last two parts of study are structure of thesis and summary of this chapter.

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1.1 Background of the Study

According to Ibrahim et al (2006), electronic banking may mean the provision of information about the bank and its products via a page on the internet. It is the types of services through which bank customers can request information and carry out most retail banking services such as balance reporting, inter-account transfers, bill-payment without leaving their homes or organizations (Aladwani, et al 2001).

The term transactional e-banking involves consumers using the internet to access their bank account and to undertake banking transaction. In online banking, consumers have direct access to a bank's information system from home, office work, school or any other place where a network connection is available. In this new situation, the customer is defined as an end-user of the bank's data processing system. The user's personal computer plays an important role in end-user computing. From a bank's perspective, using the internet is more efficient than using other distribution mediums because e-banking help to save a lot of bank user time and money. Consumers can use e-banking system at anytime or anywhere to do their activity that related with bank. People are becoming more comfortable with banking online and they believe that it will become necessary for all community banks to offer online-banking services.

By eliminating the overhead expenses of conventional banks, Internet banks theoretically can pay consumers higher interest rates on savings than the national average. Banks use the Internet to deliver information about financial services, replace transactions done in branch offices, which eliminates the need to build new branches, and to service customers more efficiently. There are several benefits of e-banking which include competitive advantage, customer retention and attraction, increased revenues and reduced costs (Esser, 1999 and Simpson, 2002). However, the applications of e-banking bring some impact to customers either from good side and bad side. So an analysis or survey is conducted to determine out the weakness and improve the e-banking system.

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1.2 Problem Statement

There are several potential problems associated with banking over the internet which customers may not be aware. The main problem towards the implementation of Internet banking by financial institution is about the customers' acceptance towards that Internet banking itself. Aliyu et al. (2012) identified **security** as an important characteristic from a customer's perspective on the adoption of innovation. As such, customers need to be highly protective of their personal account information whenever doing transactions online. Thus, the major challenge of Internet banking is in terms of building users trustworthiness towards the security and privacy issues when the customers use the internet banking service.

One of the major factors that influence consumers' satisfaction is **convenience**. Still, there is a positive relationship between convenience and service delivery via online banking, such as the ability of online banking to meet users' needs using the different feature availability of the services. (Malarvizhi, 2011). For instance, the provision of interactive loan calculators, exchange rate converters, and mortgage calculators on the web sites draw the attention of both users and non-users into the bank's web site.

Cost is one of the major factors that influence consumers' adoption of innovation. According to Aliyu at al. (2012) stated that for consumers to use new technologies, the technologies must be reasonably priced relative to alternatives. Otherwise, the acceptance of the new technology may not be viable from the standpoint of the customer. Establishing a trusted brand is very costly as it requires significant advertising expenditure in addition to the purchase of expensive technology.

The level of transaction problem is affected by the structure of the institution's processing environment, including the types of services offered and the complexity of the processes and supporting technology. Customary banks may call for meetings and seek expert advice to solve issues.

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1.3 Research Questions

1. What are the factors that influence consumers' satisfaction towards e-banking system?
2. What are the ranking of these factors that influence consumers' satisfaction towards e-banking system?
3. What are the relationships between security, convenience, trust, responsiveness, and accessibility with consumers' satisfaction towards e-banking system?
4. What are the most significance factors that influence the consumers' satisfaction towards e-banking system?
5. What is the recommendation of these factors on overall satisfaction of e-banking consumers?

1.4 Research Objectives

1. To identify the factors that influence consumers' satisfaction towards e-banking system.
2. To define the ranking of these factors that influence consumers' satisfaction towards e-banking system.
3. To examine the relationships between security, convenience, trust, responsiveness, and accessibility with consumers' satisfaction towards e-banking system.
4. To determine the most significance factor that influences the consumers' satisfaction towards e-banking system.
5. To provide the recommendation of these factors on overall satisfaction of e-banking consumers.

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1.5 Research Hypotheses

The following hypotheses are developed based on the conceptual model develop.

H0: Security not significant and positive influence on consumers' satisfaction towards e-banking system in Malacca.

H1: Security has a significant and positive influence on consumers' satisfaction towards e-banking system in Malacca.

H0: Convenience not significant and positive influence on consumers' satisfaction towards e-banking system in Malacca.

H2: Convenience has a significant and positive influence on consumers' satisfaction towards e-banking system in Malacca.

H0: Trust not significant and positive influence on consumers' satisfaction towards e-banking system in Malacca.

H3: Trust has a significant and positive influence on consumers' satisfaction towards e-banking system in Malacca.

H0: Responsiveness not significant and positive influence on consumers' satisfaction towards e-banking system in Malacca.

H4: Responsiveness has a significant and positive influence on consumers' satisfaction towards e-banking system in Malacca.

H0: Accessibility not significant and positive influence on consumers' satisfaction towards e-banking system in Malacca.

H5: Accessibility has a significant and positive influence on consumers' satisfaction towards e-banking system in Malacca.

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1.6 Scope, and Key Assumptions of the Study

Nowadays the banking activities become fully automated. Through internet, customer can do their banking activities, from their home itself, giving better customer satisfaction. Focus of this study is to identify the factors that influence consumers' satisfaction towards e-banking system. The factors that contribute to the consumers' satisfaction are security, convenience, trust, responsiveness, and accessibility. This study will used the data collect from questionnaire. The questionnaire will be distributed to the consumers at a few schools and banks in Malacca. Target respondents consist of teachers at the primary and secondary school and the banking users in the city. As many as 200 respondents was been targeting to answer this questionnaire.

1.7 Limitation of study

In pursuance of the objective of the study, attention shall be focused on electronic banking among other banking services.

A. Lack of Experience

Since researcher is the beginner in this field, thus researcher has a lack of experience in conducting this study. It is hard for the researcher to determine a very reliable data and to sort all the information out. Researcher fined that it is a bit difficult to conduct a research due to lack of experience and it is totally a new experience. But researcher try to work hard as possible although facing a lot of constraint.

B. Lack of information

The information for this study is taken from all sources including via internet but there are few number of researcher who do related research. In terms of finding the data, journals and articles, the information needed is not easy to access due to unavailability of the data.

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